

ARIZONA'S WORKFORCE

A press release from the Arizona Dept. Of Economic Security, Research Administration



September 2, 2004

Arizona's Forecast Update Shows Continued Though Slower Job Growth

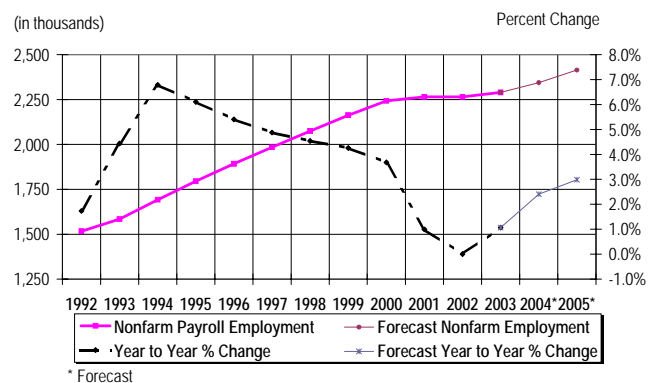
Research Administration's forecast update calls for Arizona's economy to continue expanding through the forecast period of 2004-05. Essentially unchanged from the original forecast, Arizona's nonfarm jobs are forecast to grow by 2.4 percent in 2004 and 3.0 percent in 2005. Over the two-year period, nonfarm job growth is forecast to total more than 125,000.

Meanwhile, the national economy is forecast to show continued improvement during the 2004-05 period. According to Global Insight, nonfarm jobs at the national level are forecast to grow at annual rates of 1.0 percent in 2004 and 1.7 percent in 2005.

During the forecast period, some issues will continue to capture attention and restrain the growth of the economy. Slower expansion is the result of, first, higher-than-anticipated energy costs that have eroded consumer purchasing power and elevated business costs. Second, firms have been reluctant to hire new workers because of the continued upward spiral of health care costs and advances in productivity. Third, real growth in wages has been slow because of weak hiring that has maintained slack labor markets.

While the overall economy in Arizona is expected to grow at essentially the same pace as forecasted in

Arizona Nonfarm Employment Trends



April, some industries are projected to expand at a more rapid rate. Construction has the largest upward revision with a projected increase of more than 28,000 jobs over the forecast period as compared to an original increase of 9,000 jobs. A rising population level, coupled with affordable housing and low interest rates have provided a stronger-than-expected stimulus to construction job growth.

Educational and health services are also forecast to have slightly larger job gains with a projected increase of more than 29,000 jobs over the forecast period. Growth in Arizona's communities is driving the employment increases in this industry.

Natural resources and mining is now projected to have fewer job reductions, a loss of only 100 jobs, with the revised forecast. Gradual improvements in global demand for industrial materials and rising energy costs have increased the need to use local sources of raw materials.

However, the forecast update has decreased the rate of employment growth for most other industries in the state. Job losses deepened in manufacturing to a total decrease of 4,500 jobs over the two-year period while only 600 jobs were lost in the earlier forecast.

Total Nonfarm Employment

Annual Average Growth Rate*

	2003**	2004***	2005***
Arizona	1.1%	2.4%	3.0%
Phoenix-Mesa MA	1.3%	2.7%	3.0%
Tucson MA	0.0%	1.5%	2.3%
Balance of State	1.1%	1.9%	3.5%

* Based on Annual Averages

** Benchmarked

*** Forecast

MA = Metro Area

(continued on page 2)

Trade, transportation and utilities are projected to gain more than 19,000 jobs. Higher energy prices and stagnant wages have limited the ability of consumers to increase their spending. Rising consumer spending would have generated greater levels of demand required to have higher rates of job growth in this industry group.

Projected losses in information have increased to a total of more than 3,300 jobs. The original forecast had a recovery beginning in 2005. However, revised projections have losses in both years. The factors of outsourcing, overcapacity and enhanced productivity are expected to continue limiting job growth in this industry.

Financial activities is forecast to have fewer jobs created as a result of a slower pace of expansion in the overall economy. Some of the fast-growing sectors related to mortgage financing and real estate are expected to have more consolidation over this period.

Professional and business services are projected to add more than 23,000 jobs. The attempt of firms to control rising costs with the outsourcing of many functions, especially labor, is expected to create new jobs in this industry group.

Job gains in leisure and hospitality are expected to number more than 10,000 according to the forecast update. Despite stretched budgets, consumers and businesses are still expected to spend on travel, dining-out and recreation. Improvement in this tourism-related industry is anticipated in Arizona as the economies of other states continue to expand.

Arizona Industry Employment

Annual Average Growth Rate

	2003	2004	2005
Manufacturing	-5.2%	-3.2%	0.7%
Natural Resources/Mining	-8.0%	-0.4%	-1.4%
Construction	2.6%	9.0%	6.4%
Trade, Trans, Warehouse & Utilities	0.9%	1.6%	2.6%
Information	-4.4%	-4.1%	-2.8%
Financial Activities	2.7%	1.8%	1.4%
Profess&Business Svcs	1.9%	3.1%	3.9%
Education & Health Svcs	5.9%	6.2%	5.6%
Leisure & Hospitality	0.9%	2.1%	2.5%
Other Services	-0.5%	1.9%	2.3%
Government	0.8%	1.2%	2.1%

Employment growth in other services is projected to increase by more than 3,600 jobs.

Government is forecast to gain more than 13,000 jobs as a result of an increasing population creating greater demand for public services such as education, police and fire.

In conclusion Arizona's economy has been adding jobs for nearly two years at a rate that ranks it among the top ten states in the nation, in terms of annual percentage growth. While the nation has shown six consecutive months of over-the-year increases, not all states have yet realized job creation. For those states now adding jobs, the pace of recovery has been slow. Research Administration is convinced that Arizona's economy will continue on a path of modest growth that will accelerate well into 2005.

Release Presented by: Phoenix – Don Wehbey, DES Research Administration, Senior Economist

Contact: For clarification or additional information, call (602) 542-3871

Next Press Briefing: **August Employment Report** - Thursday, September 16 10:00 a.m.,
DES Administration Building, Room 110, 1717 W. Jefferson St., Phoenix

The Arizona Workforce (Press Release) is now on the Internet.

<http://www.workforce.az.gov>

Please contact our office, if you still want a faxed copy each month.

Equal Opportunity Employer/Program

Under the Americans with Disabilities Act (ADA), the department must make a reasonable accommodation to allow a person with a disability to take part in a program, service, or activity. For example, this means that if necessary, the department must provide sign language interpreters for people who are deaf, a wheelchair-accessible location, or enlarged print materials. It also means that the department will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program or activity because of your disability, please let us know of your disability needs in advance if at all possible. This document is available in alternative formats by contacting the Arizona Department of Economic Security, Research Administration, at (602) 542-3871.

Table 1

Arizona Employment Forecast (In Thousands)						
	2002	2003	2004	2005	Change in Employment	
					2004	2005
Total Nonfarm Employment	2265.1	2289.3	2344.4	2414.4	55.1	70.0
<i>Percent Change</i>		1.1	2.4	3.0		
Manufacturing	183.5	174.0	168.4	169.5	-5.6	1.1
<i>Percent Change</i>		-5.2	-3.2	0.7		
Natural Resources & Mining	8.7	8.0	8.0	7.9	0.0	-0.1
<i>Percent Change</i>		-8.0	-0.4	-1.4		
Construction	172.2	176.6	192.6	204.8	16.0	12.3
<i>Percent Change</i>		2.6	9.0	6.4		
Trade, Transportation, & Utilities	440.9	444.8	452.0	463.8	7.3	11.8
<i>Percent Change</i>		0.9	1.6	2.6		
Information	51.7	49.4	47.4	46.0	-2.0	-1.3
<i>Percent Change</i>		-4.4	-4.1	-2.8		
Financial Activities	155.1	159.3	162.2	164.5	2.9	2.3
<i>Percent Change</i>		2.7	1.8	1.4		
Professional & Business Services	314.1	320.0	330.0	343.0	10.0	13.0
<i>Percent Change</i>		1.9	3.1	3.9		
Education & Health Services	232.6	246.3	261.5	276.1	15.2	14.6
<i>Percent Change</i>		5.9	6.2	5.6		
Leisure & Hospitality	229.5	231.5	236.4	242.3	4.9	5.9
<i>Percent Change</i>		0.9	2.1	2.5		
Other Services	86.3	85.9	87.5	89.5	1.6	2.0
<i>Percent Change</i>		-0.5	1.9	2.3		
Government	390.4	393.7	398.5	407.0	4.8	8.5
<i>Percent Change</i>		0.8	1.2	2.1		

Note: 1) Totals may not add due to rounding

Table 2

Phoenix-Mesa Metropolitan Area Employment Forecast (In Thousands)						
	2002	2003	2004	2005	Change in Employment	
					2004	2005
Total Nonfarm Employment	1596.1	1616.7	1660.4	1710.4	43.7	50.0
<i>Percent Change</i>		1.3	2.7	3.0		
Manufacturing	137.5	129.4	125.9	127.0	-3.5	1.1
<i>Percent Change</i>		-5.9	-2.7	0.9		
Natural Resources & Mining	2.2	2.0	2.0	1.9	0.0	0.0
<i>Percent Change</i>		-9.1	-1.4	-2.1		
Construction	126.1	130.0	144.4	154.3	14.4	9.9
<i>Percent Change</i>		3.1	11.1	6.9		
Trade, Transportation, & Utilities	325.5	328.1	332.8	340.8	4.7	8.0
<i>Percent Change</i>		0.8	1.4	2.4		
Information	39.4	37.3	35.2	33.7	-2.1	-1.5
<i>Percent Change</i>		-5.3	-5.7	-4.3		
Financial Activities	131.2	134.4	136.7	138.3	2.3	1.6
<i>Percent Change</i>		2.4	1.7	1.2		
Professional & Business Services	253.5	258.1	266.0	276.3	7.9	10.3
<i>Percent Change</i>		1.8	3.1	3.9		
Education & Health Services	153.0	163.0	173.5	183.1	10.5	9.6
<i>Percent Change</i>		6.5	6.4	5.6		
Leisure & Hospitality	153.5	155.9	159.1	162.6	3.2	3.4
<i>Percent Change</i>		1.6	2.1	2.2		
Other Services	61.6	61.5	62.9	64.6	1.4	1.6
<i>Percent Change</i>		-0.2	2.3	2.6		
Government	212.7	217.1	221.9	227.8	4.8	5.9
<i>Percent Change</i>		2.1	2.2	2.7		

Note: 1) Totals may not add due to rounding

Table 3

Tucson Metropolitan Area Employment Forecast (In Thousands)						
	2002	2003	2004	2005	Change in Employment	
					2004	2005
Total Nonfarm Employment	345.9	346.0	351.3	359.4	5.3	8.2
<i>Percent Change</i>		0.0	1.5	2.3		
Manufacturing	30.5	28.7	28.4	28.6	-0.3	0.2
<i>Percent Change</i>		-5.9	-1.2	0.8		
Natural Resources & Mining	1.5	1.2	1.1	1.0	-0.1	0.0
<i>Percent Change</i>		-20.0	-9.3	-4.2		
Construction	22.5	22.9	23.4	23.9	0.5	0.5
<i>Percent Change</i>		1.8	2.0	2.3		
Trade, Transportation, & Utilities	54.4	54.3	54.9	56.0	0.6	1.1
<i>Percent Change</i>		-0.1	1.0	1.9		
Information	7.9	7.6	7.6	7.8	0.0	0.1
<i>Percent Change</i>		-3.8	0.5	1.6		
Financial Activities	14.4	15.1	15.6	16.0	0.5	0.4
<i>Percent Change</i>		4.9	3.1	2.6		
Professional & Business Services	41.5	41.3	41.8	43.1	0.5	1.3
<i>Percent Change</i>		-0.5	1.3	3.1		
Education & Health Services	43.6	45.6	47.9	50.2	2.3	2.3
<i>Percent Change</i>		4.6	5.0	4.8		
Leisure & Hospitality	37.3	36.5	37.5	38.5	1.0	1.0
<i>Percent Change</i>		-2.1	2.7	2.8		
Other Services	14.5	14.5	14.8	15.1	0.3	0.4
<i>Percent Change</i>		0.0	1.9	2.4		
Government	77.9	78.2	78.4	79.3	0.2	0.9
<i>Percent Change</i>		0.4	0.2	1.1		

Note: 1) Totals may not add due to rounding

Table 4

Balance of State Employment Forecast						
(In Thousands)						
	2002	2003	2004	2005	Change in Employment	
					2004	2005
Total Nonfarm Employment	323.1	326.6	332.8	344.6	6.2	11.8
<i>Percent Change</i>		1.1	1.9	3.5		
Manufacturing	15.5	15.9	14.1	13.9	-1.8	-0.2
<i>Percent Change</i>		2.6	-11.5	-1.2		
Natural Resources & Mining	5.0	4.8	4.9	4.9	0.1	0.0
<i>Percent Change</i>		-4.0	2.2	-0.6		
Construction	23.6	23.7	24.8	26.6	1.1	1.8
<i>Percent Change</i>		0.4	4.7	7.3		
Trade, Transportation, Warehousing, & Utilities	61.0	62.3	64.4	67.0	2.0	2.7
<i>Percent Change</i>		2.2	3.3	4.2		
Information	4.4	4.5	4.5	4.6	0.0	0.1
<i>Percent Change</i>		2.3	0.8	1.8		
Financial Activities	9.5	9.8	10.0	10.2	0.2	0.2
<i>Percent Change</i>		3.2	1.6	2.4		
Professional & Business Services	19.1	20.6	22.1	23.5	1.5	1.4
<i>Percent Change</i>		7.9	7.4	6.4		
Education & Health Services	36.0	37.7	40.2	42.9	2.5	2.6
<i>Percent Change</i>		4.7	6.7	6.5		
Leisure & Hospitality	38.7	39.1	39.7	41.2	0.6	1.5
<i>Percent Change</i>		1.0	1.7	3.7		
Other Services	10.2	9.9	9.8	9.8	-0.1	0.0
<i>Percent Change</i>		-2.9	-1.0	0.2		
Government	99.8	98.4	98.2	99.9	-0.2	1.7
<i>Percent Change</i>		-1.4	-0.2	1.7		

Note: Totals may not add due to rounding

Chart 1

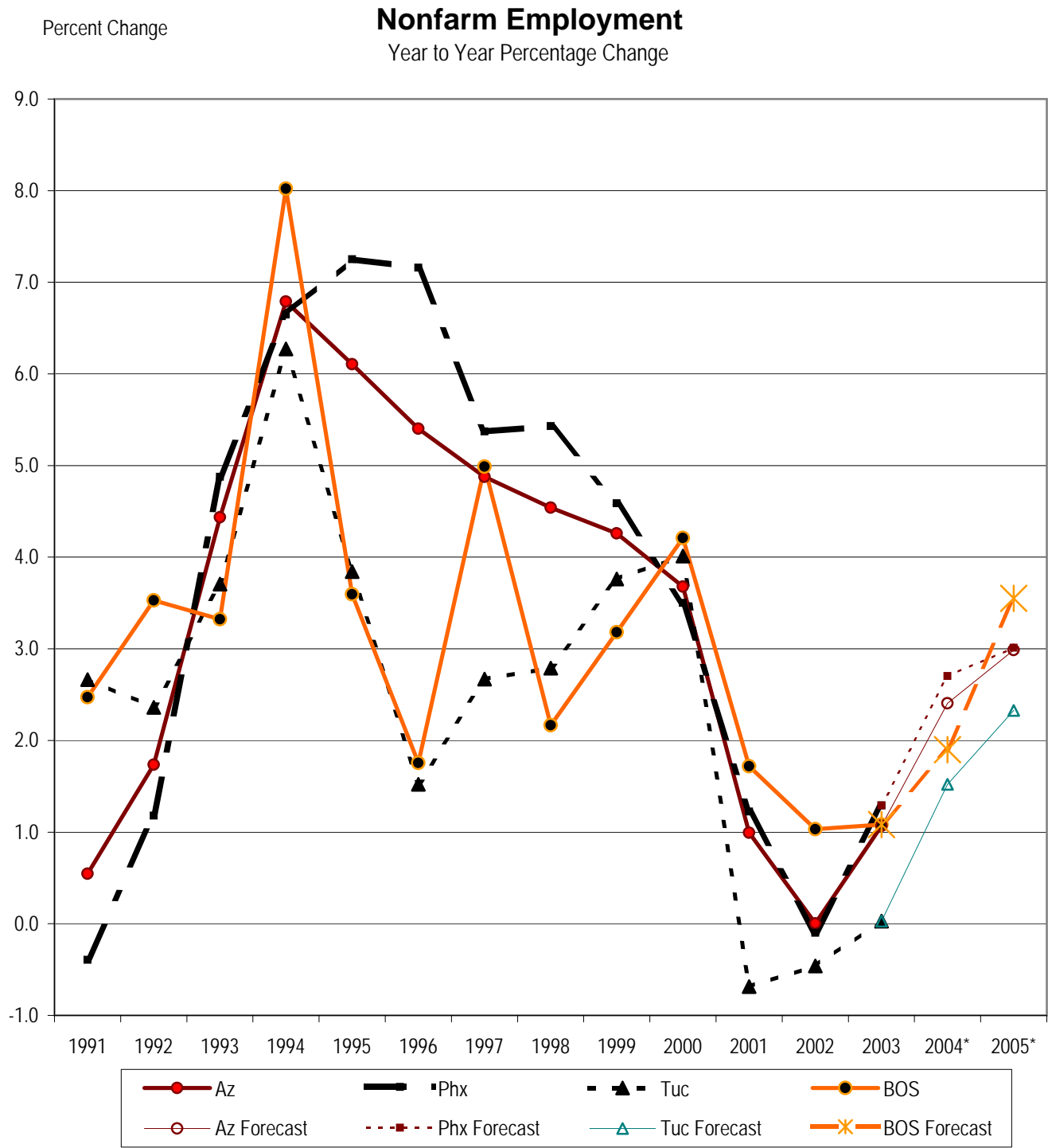


Chart 2

Arizona Nonfarm Employment

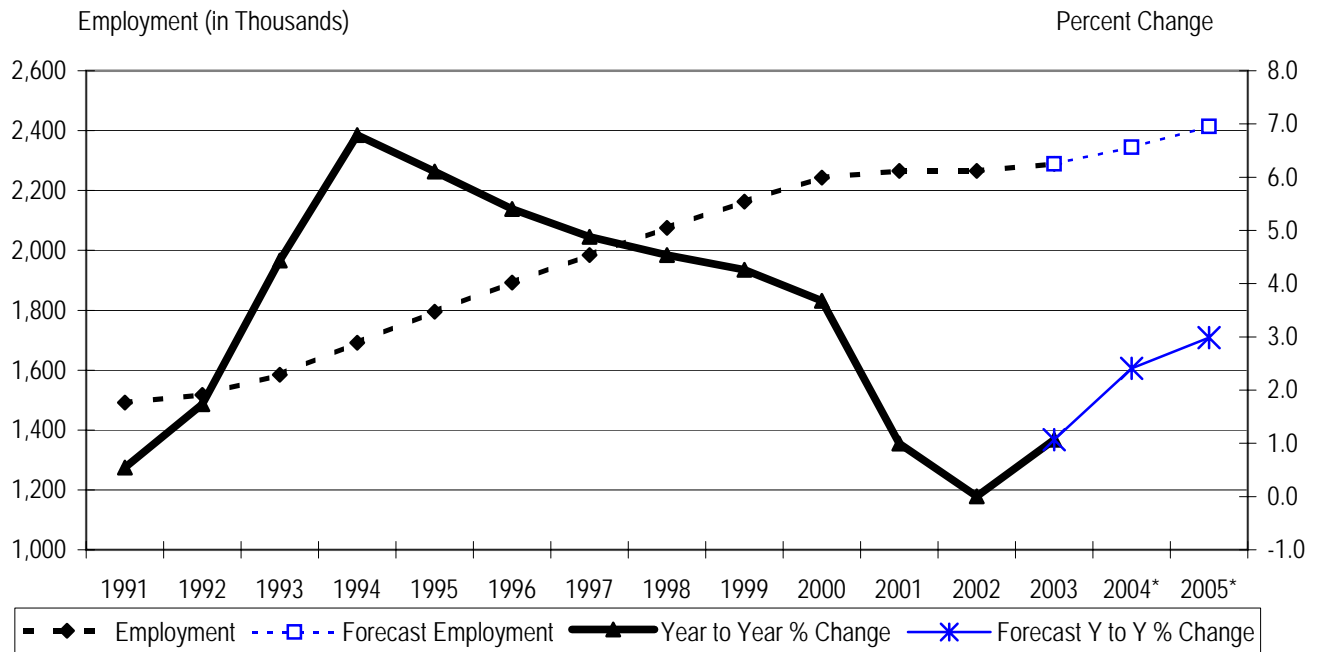


Chart 3

Phoenix-Mesa MA Nonfarm Employment

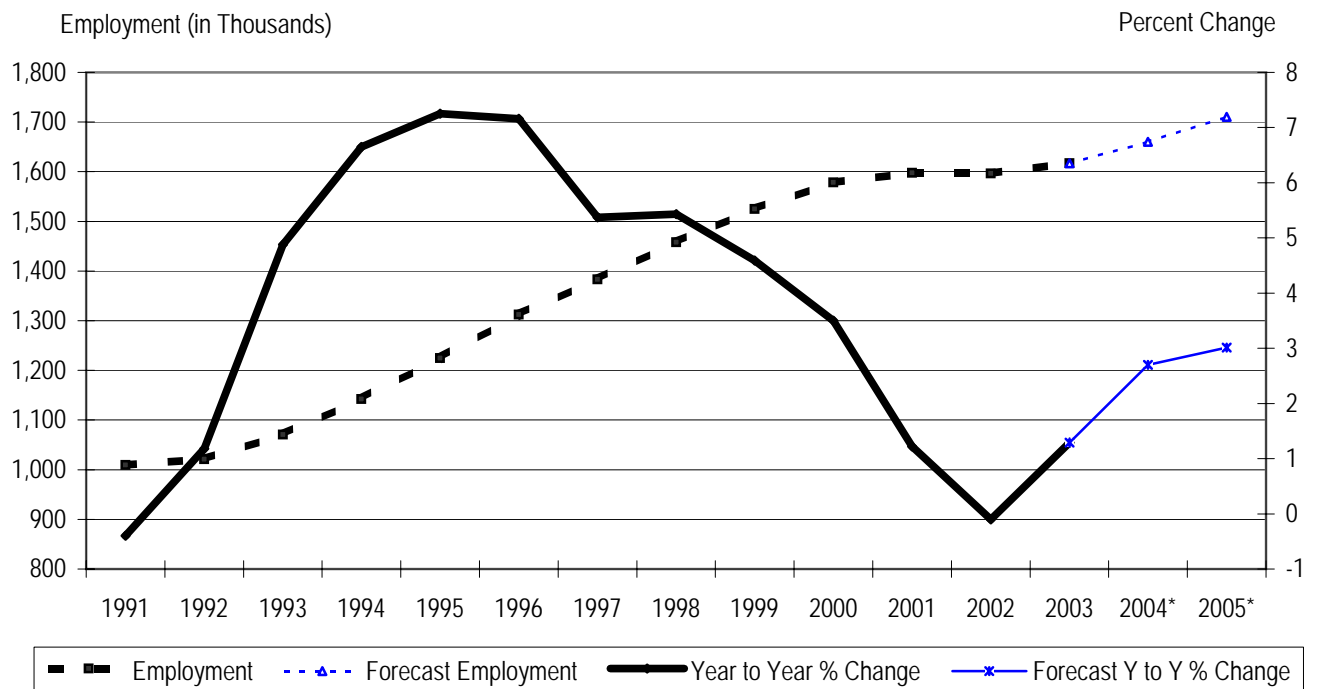


Chart 4

Tucson MA Nonfarm Employment

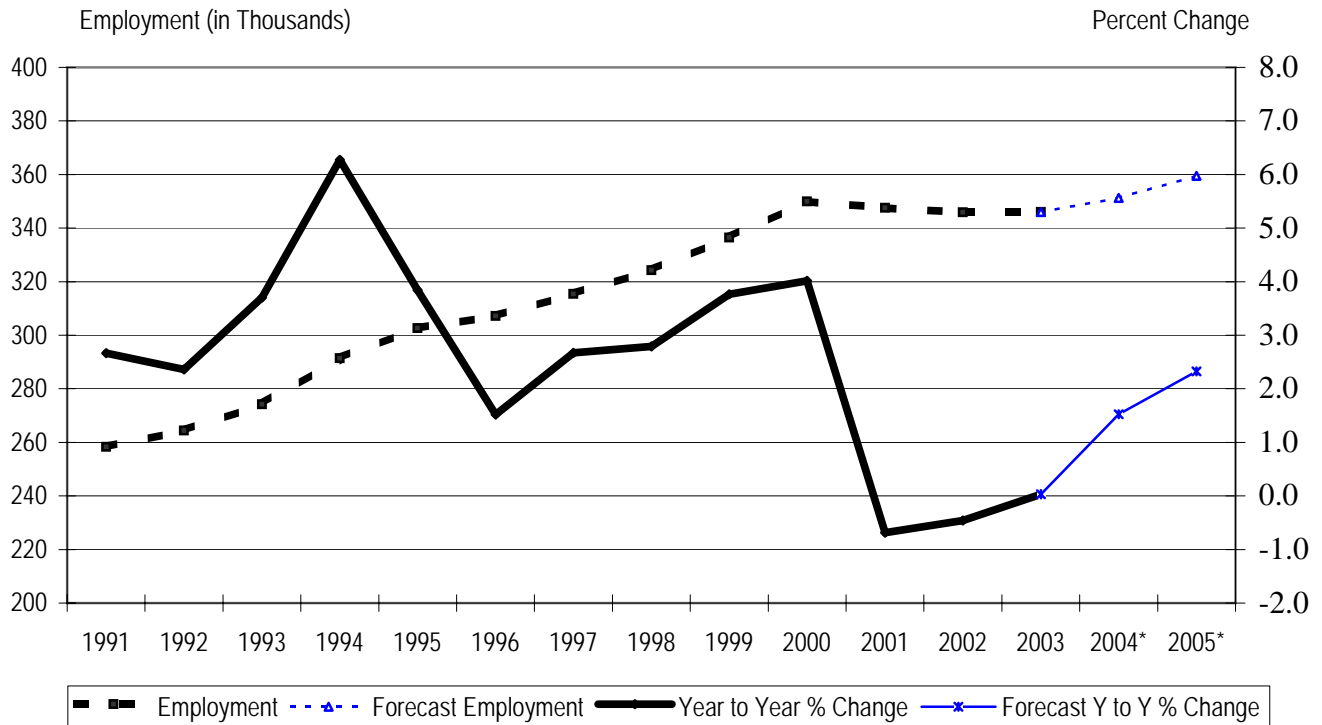


Chart 5

BOS Nonfarm Employment

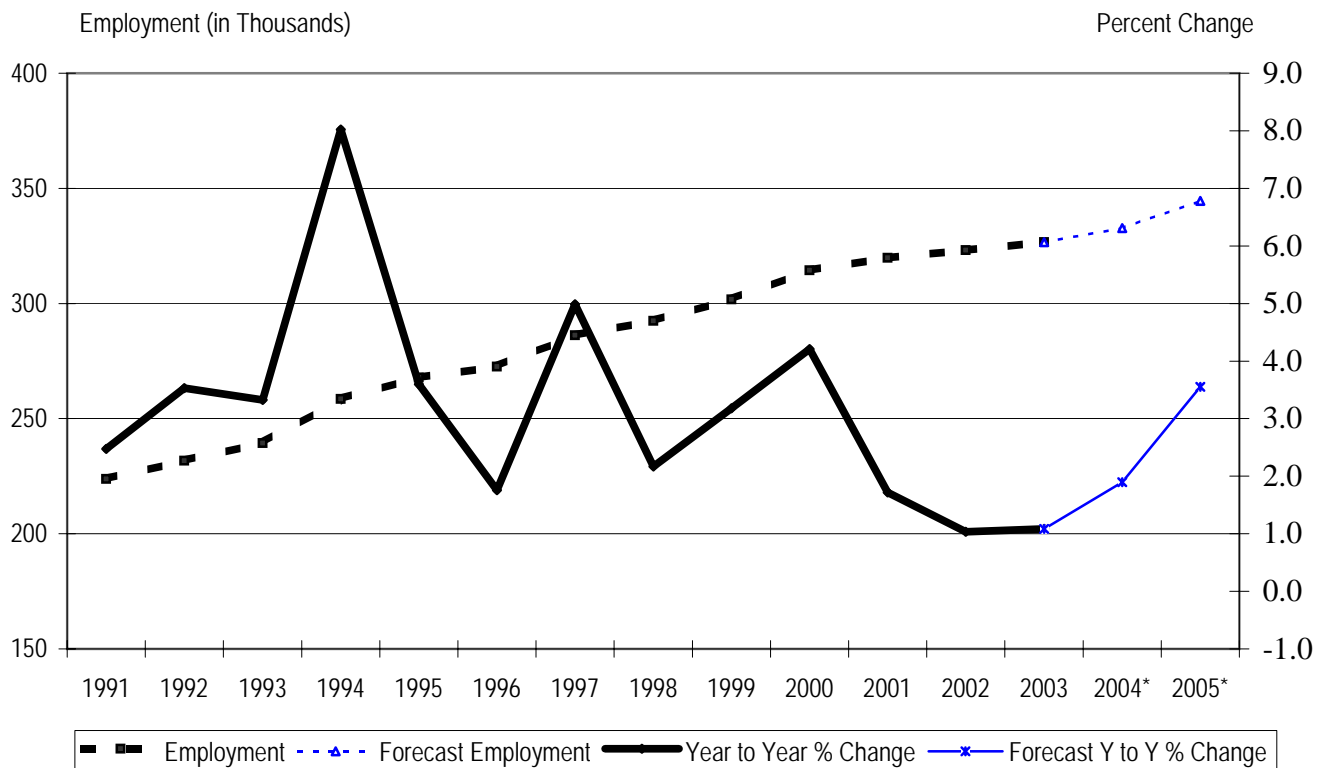


Chart 6

Arizona Manufacturing Employment

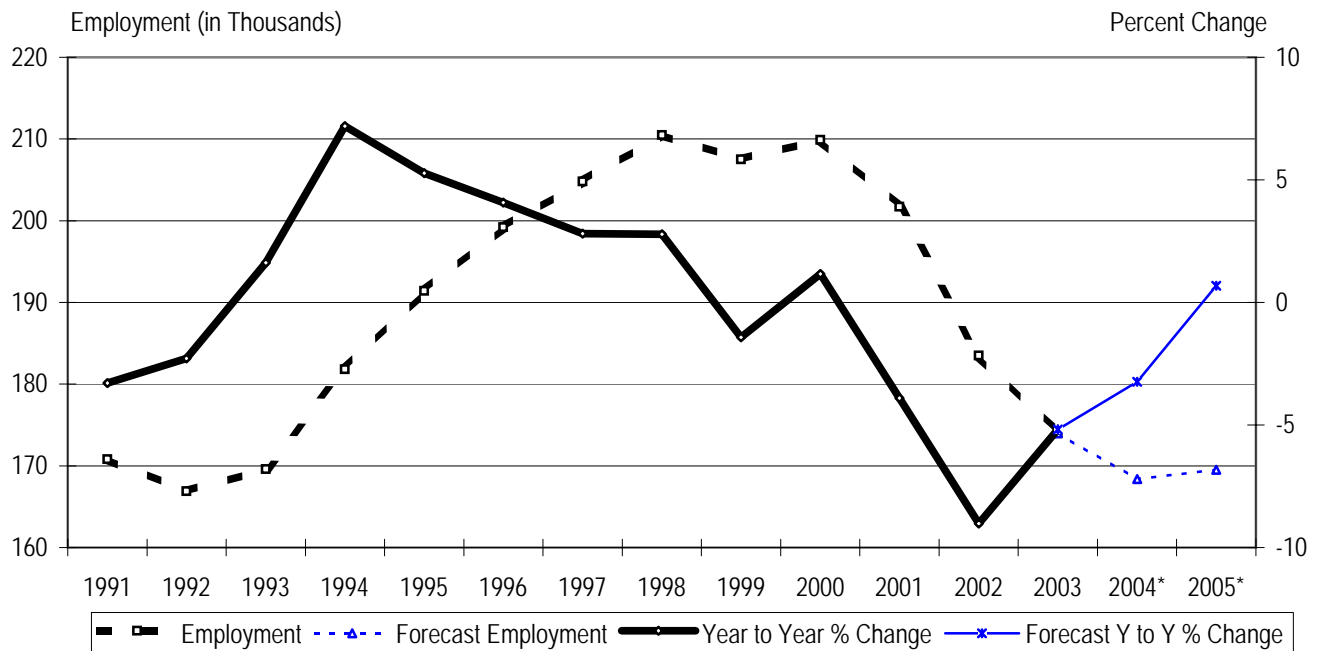


Chart 7

Arizona Natural Resources & Mining Employment

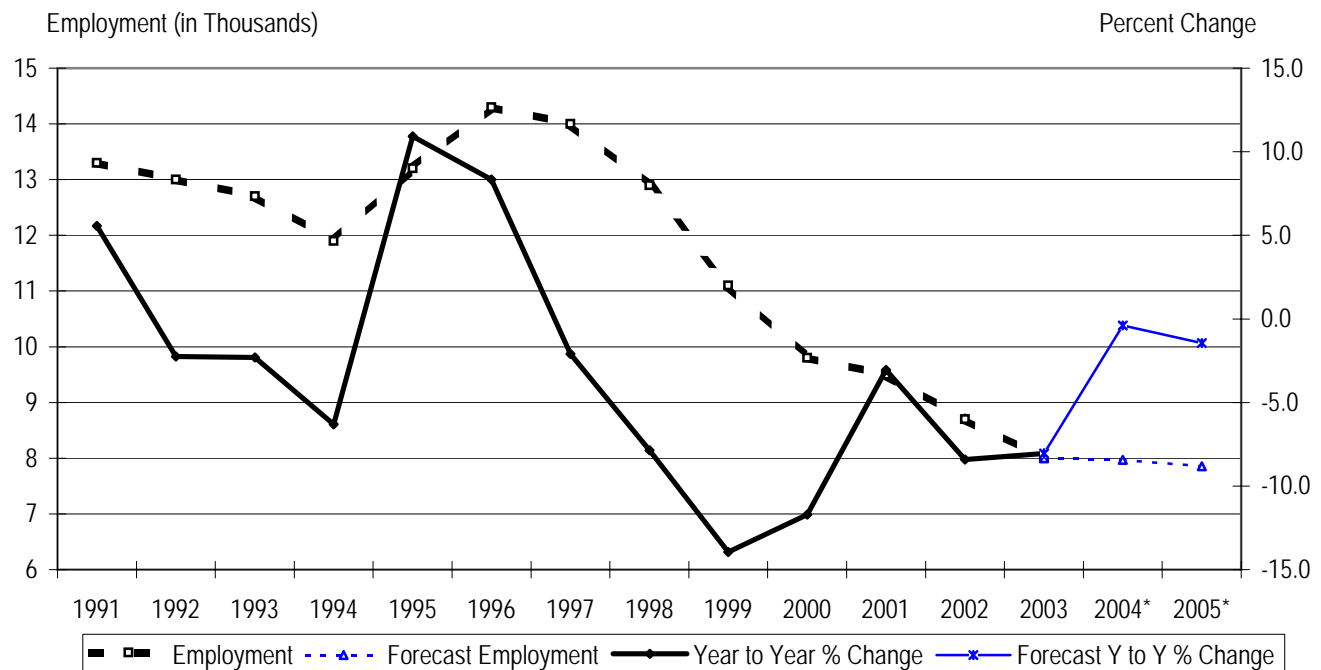


Chart 8

Arizona Construction Employment

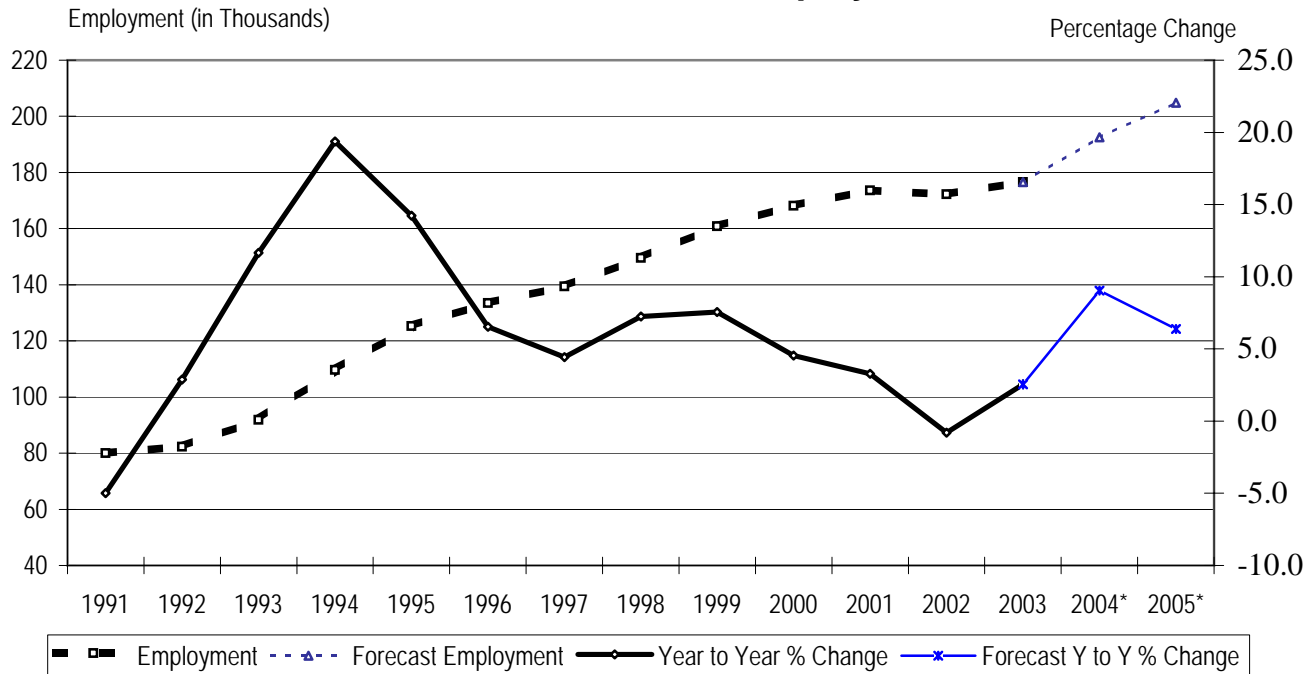


Chart 9

Arizona Trade Employment

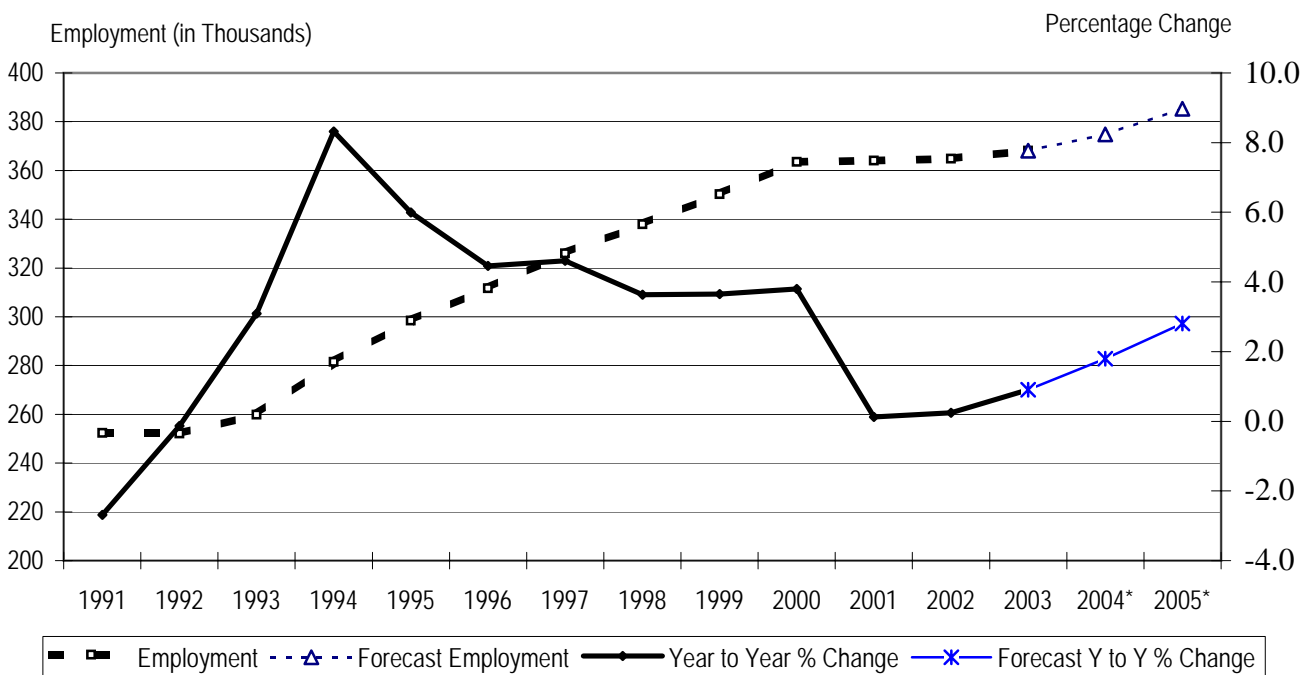


Chart 10

Arizona Transportation, Warehousing, and, Utilities Employment

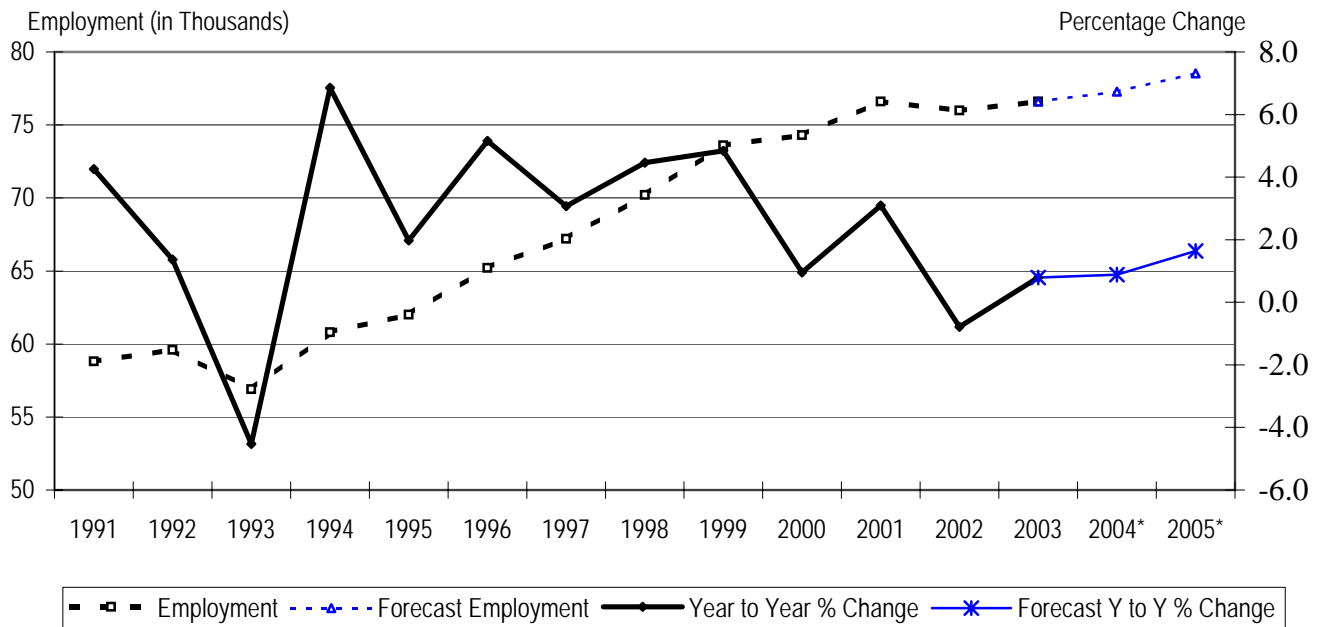


Chart 11

Arizona Information Employment

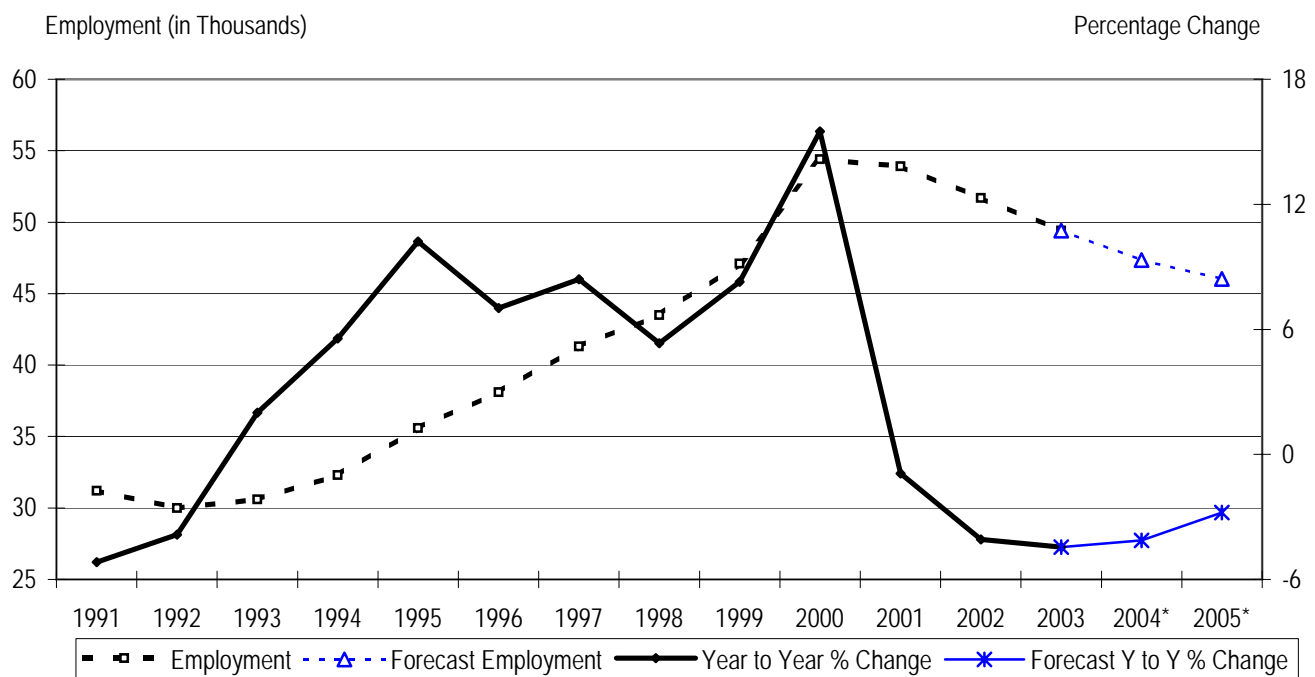


Chart 12

Arizona Financial Activities Employment

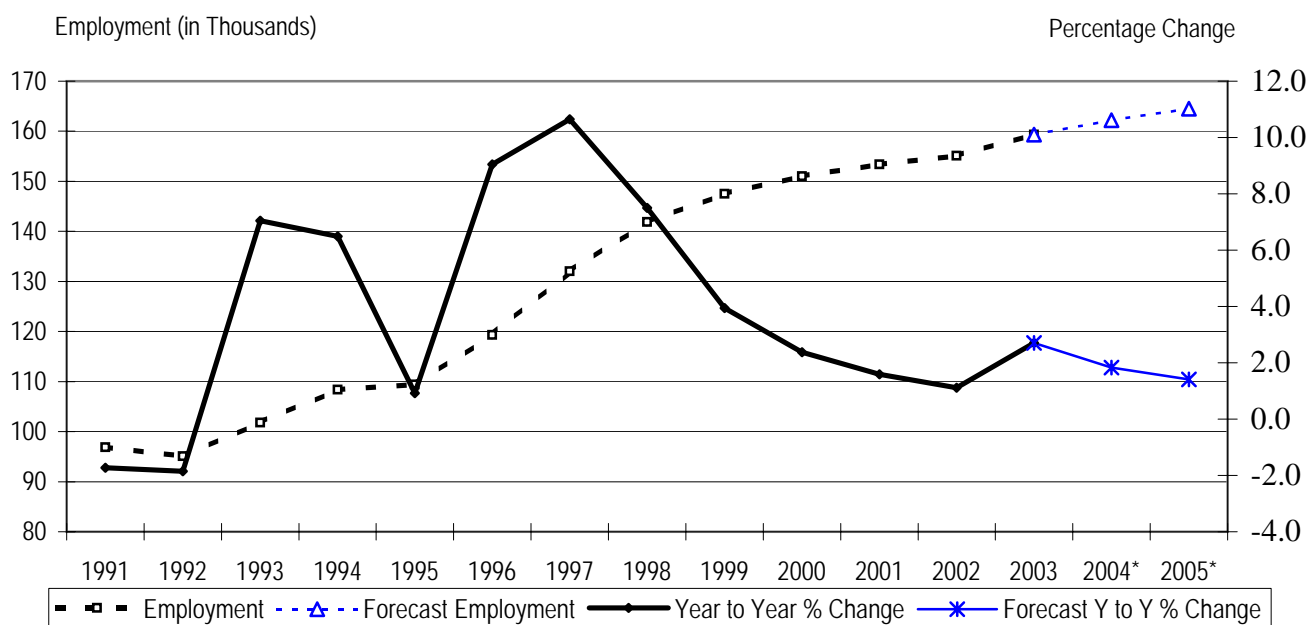


Chart 13

Arizona Professional & Business Services Employment

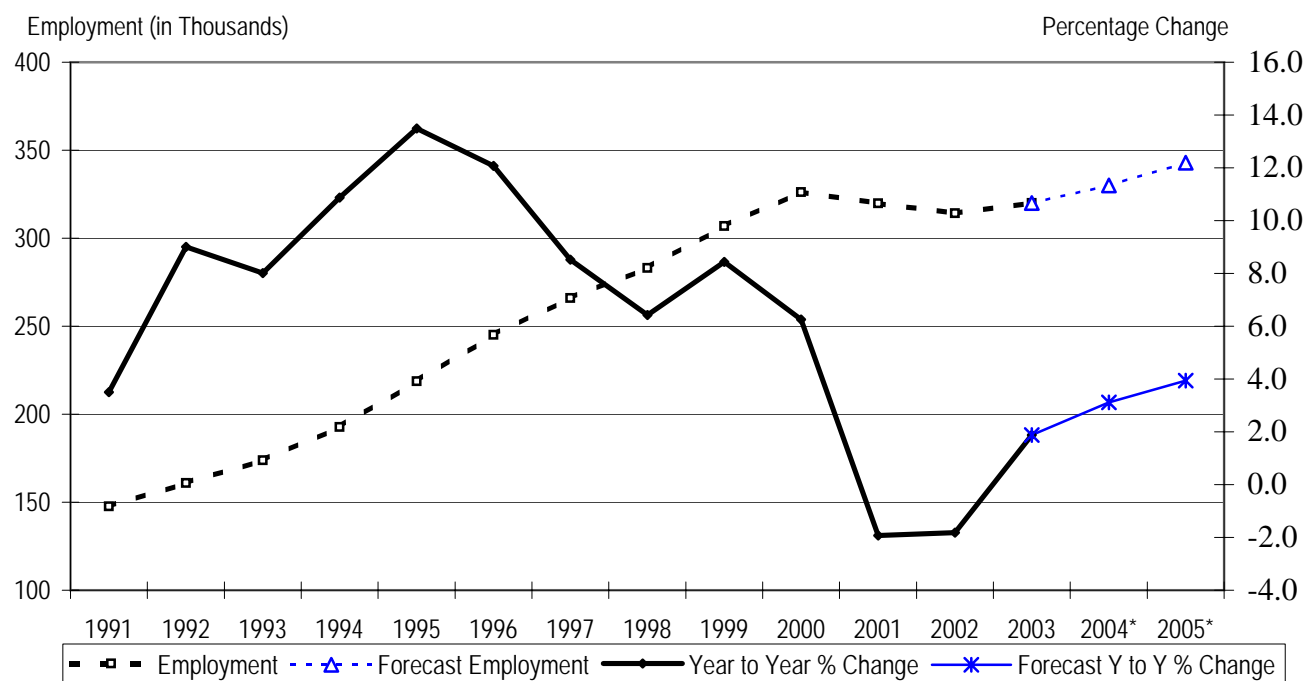


Chart 14

Arizona Education & Health Services Employment

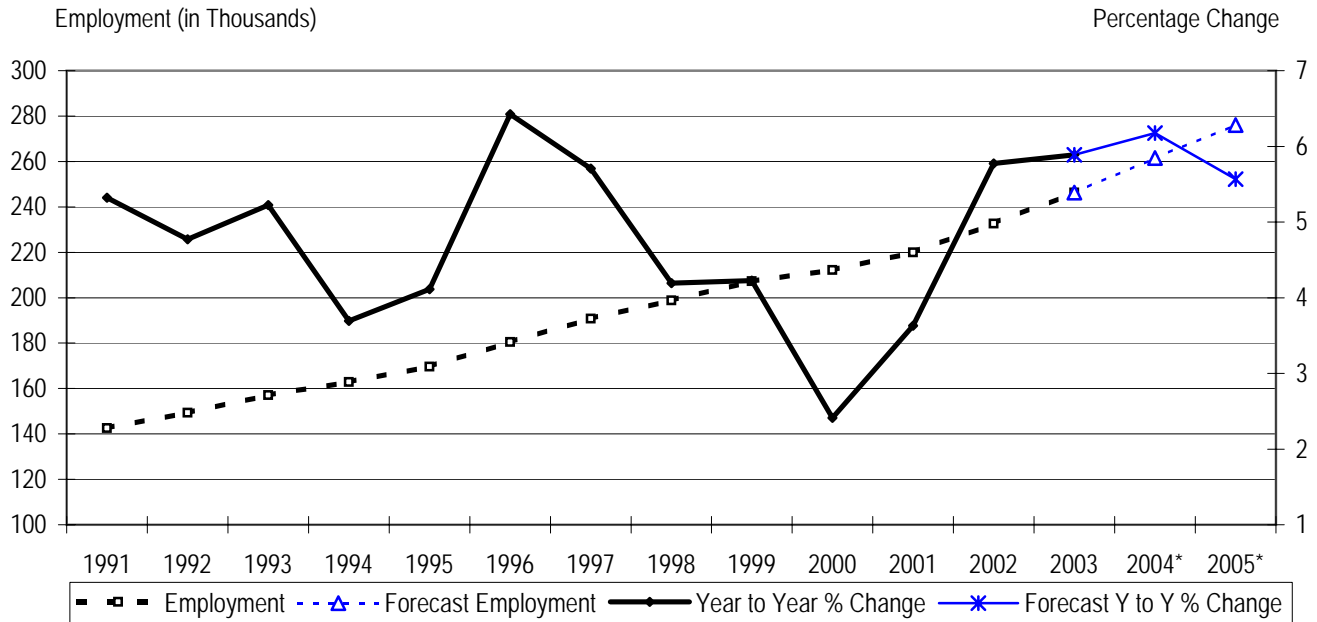


Chart 15

Arizona Leisure & Hospitality Employment

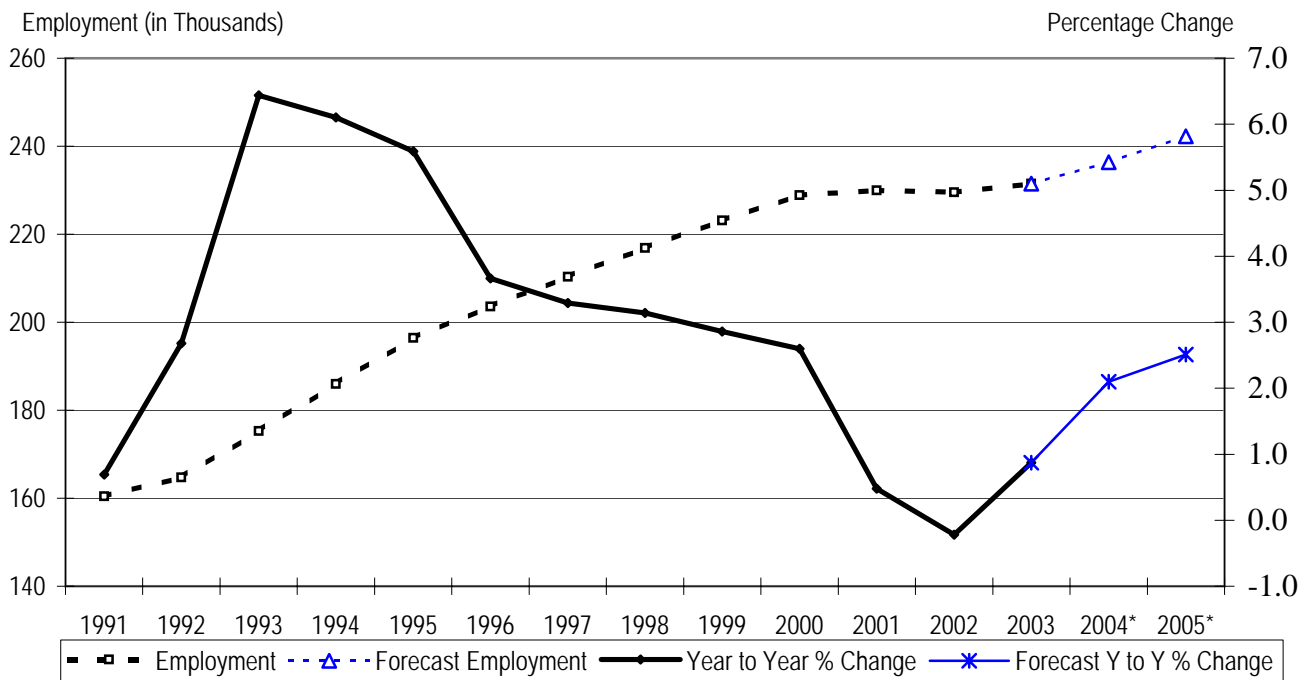


Chart 16

Arizona Other Services Employment

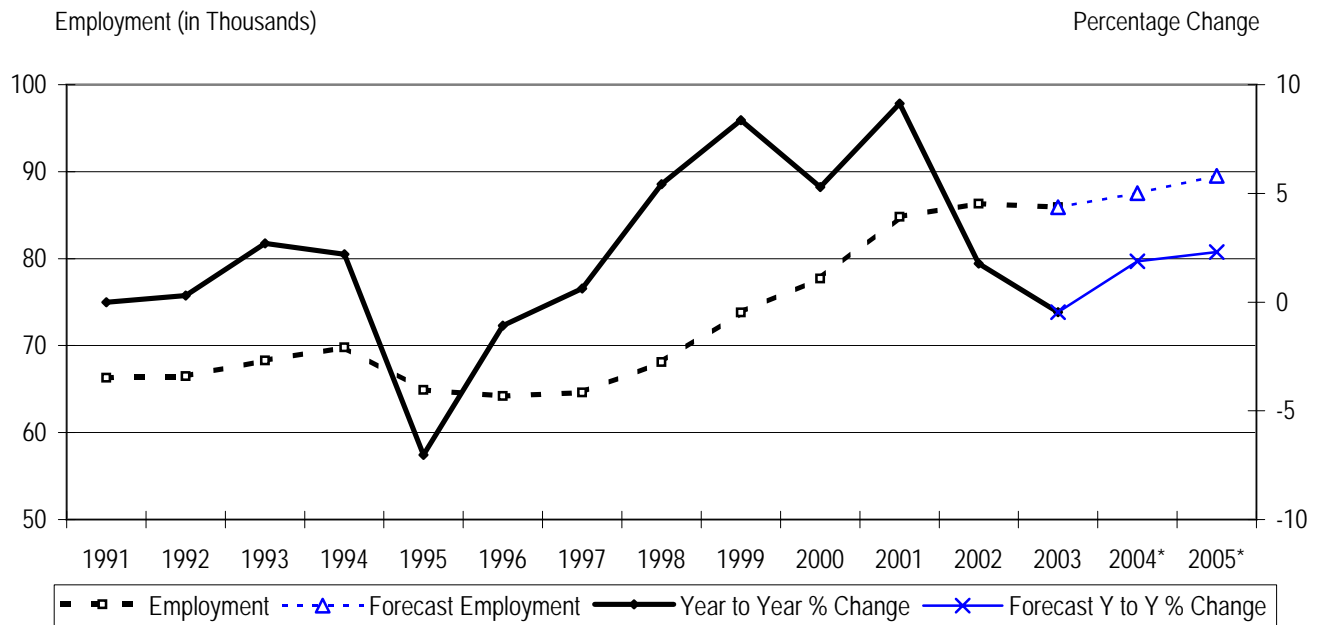


Chart 17

Arizona Government Employment

